

Ranking the returns on MBAs

Executive programs offer bang for bucks

By Alina Dizik
The Wall Street Journal

Scott Thomas had completed nearly half of his executive master of business administration program when he decided he wasn't satisfied. The price tag of the Cleveland school was modest, but Thomas wondered if he would get a solid return on his investment. So the 31-year-old dropped out

and enrolled in Ohio State University's Fisher School of Business EMBA program. Though his tuition costs have more than doubled — to \$72,500 for the 18-month degree — Thomas said he believes Ohio State does more for him in the way of career development and education. "The alumni network is unbelievably large, and they're unbelievably loyal," he said.

Ohio State comes in at No. 3 on The Wall Street Journal's first ranking of the five-year return on investment of executive MBA programs. The program yields a 170 percent return on investment.

Only Texas A&M's Mays School of Business and University of Florida's Warrington School of Business did better among U.S. schools, with five-year returns of 243 percent and 212 percent, respectively.

Applications for most executive MBA programs are due early next year, and many working executives are weighing whether to make such a hefty investment in an uncertain economy. Students are increasingly paying their own way — making cost-benefit calculations even more important. "When someone else was paying for it, that wasn't the big factor," said Michael Desiderio, executive director of the Executive MBA Council in Orange, Calif. Only 32 percent of executives are fully sponsored by their companies, he noted.

Determining the schools that provide the best return on investment was based on data collected for The Wall Street Journal's ranking of executive MBA programs published in September. Working with Management Research Group of Portland, Maine, the newspaper checked the responses from a summer survey of EMBA

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graduates for data about salary, raises received after graduation, company sponsorship figures, tuition and out-of-pocket costs.

That information was used to calculate the return on investment for 27 U.S. programs and nine international programs. (For a ranking of international programs and an expanded methodology, go to WSJ.com/MBA.) Costs were calculated by combining tuition payouts and the out-of-pocket expenses reported by graduates. To calculate the benefit, or return, we used the graduate-reported median raise after completion of the program as the first-year salary increase. We added a 5 percent annual increase over the following four years, based on the average annual increase expected by compensation specialists and executive recruiters we polled.

Most of the schools that topped the list weren't big brand names — or the highest-ranked in our September EMBA ranking. The No. 1 school in September, Northwestern University's Kellogg School of Management, was No. 12 in returns. Texas A&M and Florida, despite high returns, weren't among the top 25 in September.

At Texas A&M, low tuition and a no-frills focus are at the heart of the program. (The Class of 2008 paid just \$53,000 for a 24-month program.)

"We focus on the basics," said David Blackwell, associate director of the school's executive MBA program. As a state institution, the school is under less pressure to raise revenue by accepting underqualified candidates, he said.

Texas A&M's tuition is less than half that of New

"You know when you're coming here that you are going to rub shoulders with people who are very bright and already have an excellent career trajectory."

HOWARD KAUFOLD,
University of Pennsylvania

York University's Stern School of Business, the school with the lowest return on investment — 51 percent. Graduates of Texas A&M's program reported receiving a median 11 percent raise upon completion of the program and five years after graduation were projected to earn a median \$18,718 (not including bonuses).

"There's more opportunity for them to advance as a result of the program, and a salary goes along with that," Blackwell said.

Not all of the earlier survey's top-rated schools delivered lower returns. The returns at University of Southern California Marshall School of Business (No. 4 in the overall ranking), University of California Los Angeles Anderson School of Business (No. 17 in the overall ranking) and Kellogg were significantly better than those of many of their competitors. At UCLA, the five-year return was fourth-best, at 158 percent. At USC, the five-year return was at 134 percent, and 2008 graduates can expect a median salary of \$218,062.

With a five-year salary projection of \$257,687 and a 127 percent return, Kellogg graduates reap significant benefits, despite its programs' average tuition of nearly \$105,000. "Going back and getting your MBA is an expense not only in financial

terms, but in blood, sweat and tears," said Julie Cisek Jones, director of executive MBA programs at Kellogg.

Even with lower returns on investment, top-tier programs had some of the highest projected five-year salaries. Columbia University's EMBA Global, a joint program with London Business School, caters to slightly older executives, and clocked in at No. 23 for return on investment — 69 percent in five years. And 2008 graduates of the school can expect the highest salary after that period — a median of \$272,577.

Indeed, some schools had lower returns partly because their graduates' salaries were higher to begin with. Jaki Sitterle, managing director of executive programs at NYU, which posted the smallest return, noted that the school focuses on older executives, half of whom already have advanced degrees and many who already earn high salaries.

For many graduates, the value of the EMBA is not based on salary alone. In the newspaper's graduate survey, 63.3 percent of graduates said they received or expected a promotion upon completion of their programs, even as 31.8 percent did not receive or expect to receive a raise. "Increasing compensation is not always their prime motivating factor," Sitterle said.

Alex Gorsky, company group chairman for Ethicon, a unit of Johnson & Johnson, credited the EMBA degree he earned from Wharton 12 years ago with helping him achieve a top executive position. He in turn has sponsored 12 people to attend executive MBA programs, even though he said it's difficult to put a dollar amount on the return.